



Director of
Central
Intelligence

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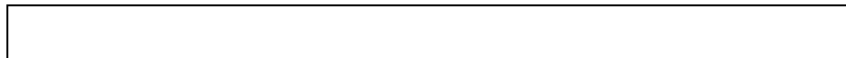
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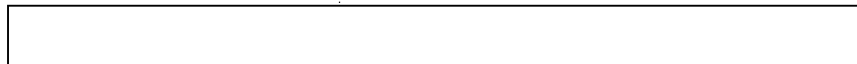
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Special Analysis



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IRAQ: New Financing

Iraq and France are negotiating a financial package consisting of \$850 million in oil and a \$1 billion credit to cover Baghdad's debts to French contractors in 1983. Several other countries recently have agreed to sell Iraq agricultural commodities on short-term credit.

[redacted] Baghdad also will sign a \$45 million contract soon with a Romanian firm for the construction of a 5,000 barrel-per-day lube oil refinery. [redacted] however, [redacted] Western banks are not extending letters of credit to companies for sales to Iraq and [redacted] they fear Baghdad will be forced to reschedule its debt within the next year or two. [redacted]

Comment: The new arrangements will allow Iraq to deal with its immediate financial needs. The French credits, however, are unlikely to allay the concerns of Western and even Arab banks that are increasingly dubious of Iraq's creditworthiness. Baghdad appears to be turning to Eastern Europe for barter and credit arrangements that Western countries and companies are unwilling to offer. [redacted]



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